



International Labour Organization



United Nations Institute for  
Training and Research

# **GLOBAL OIL FOR DEVELOPMENT INITIATIVE**

***Stakeholder dialogue, training and local content  
in the oil and gas sectors***

## **Executive summary**

The objective of this initiative is to strengthen the positive impact of the oil and gas sectors on sustainable development in producing countries. This impact is primarily felt through local development, the creation of decent jobs and an effective stakeholder dialogue. The aim is to align business objectives in the two sectors with those of human development and local economic growth.

It is often argued that the oil and gas sectors contribute little to the sustainable development of developing countries. This is primarily because of the perceived “oil curse”, the so-called Dutch disease and the enclave nature of oil and gas production with few linkages to the rest of the economy.

This initiative is based on the view that oil and gas production have large potential benefits for sustainable development, but that complementary policy measures need to be introduced to make these benefits real and to ensure that they reach a wide segment of the population, in particular workers and their representing organizations.

The project seeks to achieve this objective at three levels. First, it recognizes that an effective stakeholder dialogue is essential to making oil more development-friendly. The project will strengthen dialogue between all stakeholders, and in particular the social dialogue between government, the oil and gas producers, and the workers and their organizations. Second, once an enhanced stakeholder dialogue is in place, programmes will be identified at country level to provide training, promote decent work and local development. The promotion of decent jobs will be in accordance with the ILO Declaration on fundamental principles and rights at work, and follow the guidelines contained in the ILO Tripartite Declaration of principles concerning multinational enterprises and social policy.

Third, the project will identify good practice policies to enhance the contribution of the oil and gas sectors in achieving employment growth, local development and poverty reduction. This will result in a series of policy proposals and recommendations validated by the international community, targeting not only governments but also multinational and national enterprises in the oil and gas sectors.

This initiative is a joint effort of two UN organizations – the United Nations Institute for Training and Research (UNITAR) and the International Labour Organization (ILO) – and a Swiss Foundation, the *Centre de Recherches Entreprises et Sociétés* (CRES).

# 1 BACKGROUND

It has often been argued that the oil and gas sectors have a relatively limited impact on sustainable development. As it is a capital-intensive sector, it typically employs only a very small percentage of the labour force. For instance, the oil and gas sectors in Angola represent 54 per cent of national output, but employ only 5 per cent of its labour force. It has also been stated frequently that the sector generates various negative externalities for the rest of the economy, the so-called Dutch disease. A strong dependency on oil and gas may generate pressure on exchange rates; result in fewer investments and lower economic growth in other sectors. Furthermore, the enclave nature of oil and gas production, and the lack of linkages to the rest of the economy, may result in local enterprises having very few opportunities to expand and diversify.

Experience has shown that a number of oil and gas producing countries have managed their revenues with a short-term vision and on the basis of clientele-like political considerations. Corruption and the lack of standards for transparency and governance have been a major concern as they have been a source of political and social conflicts. Against such a backdrop, the perception of “oil as a curse” has increasingly dominated the debate on oil and sustainable development. This perception has resulted in a certain discomfort among policy-makers, social partners, experts and civil society in their inability to find adequate solutions to harnessing the potential of oil wealth for the benefit of the population.

Efforts to promote the development potential of the oil and gas sectors have essentially focused on three forms of policy intervention. First, special revenue funds have been set for the purpose of macroeconomic stabilization so as to counterbalance the effects of volatile oil and gas earnings. These funds have also been used in some countries to finance infrastructure projects as well as other projects to benefit directly the population (employment creation schemes, training and micro finance). A second category of policies includes various types of interventions to promote backward and forward linkages between the oil and gas sectors and the rest of the economy. For example, some countries have developed special foreign investment codes for the oil and gas sectors stipulating that a certain percentage of resources (technical, material, human) come from the local market.

A third category includes policy interventions, typically in the more developed oil producing countries, to set up a consultative process among stakeholders – including governments, employers’ and workers’ organization (or the social partners) and civil society at large – to identify and/or implement policies to enhance the development impact of oil and gas. The lack of an effective stakeholder dialogue in a number of the oil producing countries has made it difficult to set up any type of consultation on how to confront these issues and find solutions. The social dialogue between governments, employers and workers is often very limited, but where an effective dialogue does exist, it has a significant impact on achieving industrial democracy. Many of these policy interventions need to come from governments, but the oil and gas enterprises themselves, in particular the multinational ones, also need to initiate consultative processes. These measures will not only facilitate sustainable development but also promote the economic viability of the enterprises.

While the impact of these policies has not been studied in a systematic manner, preliminary evidence indicates that their effects are rather positive. There have been cases where such policies have helped to promote more sustainable development and have allowed a larger share of the population to benefit. In some countries, for example, oil-funded training programmes have contributed to developing and implementing programmes and policies designed to benefit segments of the population that would otherwise have been left out.

Too little is known, however, about these novel consultative processes and complementary policies. There is a general lack of structured information about what countries have done to make oil and gas contribute more to sustainable development, why some have been successful and others have failed. There has also been a lack of exchange of information on how successful these policies have been in making the oil and gas sectors more development-oriented.

## 2 OBJECTIVES

The long-term objective of this project is that the oil and gas sectors have a sustainable impact on development through local economic growth, the creation of decent jobs and an effective stakeholder dialogue, particularly the social dialogue between government, workers and employers. Social dialogue includes all forms of exchange of information, consultation, negotiation and collective bargaining between representatives of governments, employers and workers. In this sense, sustainable development requires that both the economic viability of the oil and gas sectors and effective social dialogue among government and social partners complement each other.

The more immediate objective of this project is twofold. First, the stakeholder dialogue, as well as the social dialogue between government and the social partners, becomes strengthened so that each can play an active role in identifying and implementing policies to make oil and gas more development-friendly.

Second, the capacity of both governments and the oil and gas enterprises are enhanced to implement policies and programmes to ensure that the benefits of oil and gas production are shared by a large segment of the population.

These immediate objectives will be pursued in the following manner:

- a) Examining backward and forward linkages in the oil and gas sectors through comprehensive qualitative and quantitative country studies. Particular attention will be paid to linkages that have a strong impact on employment creation and that increase the potential for local economic development.
- b) Investigating the local content policies and practices in selected case-study countries and identifying which ones have been successful.
- c) Strengthening social dialogue between government and social partners. This will involve capacity-building seminars and workshops in selected countries.
- d) Fact-finding through dialogue with principal actors to design a capacity development programme for application-training projects to be carried out at local, country and sub-regional levels. Local capacity will be built through workshops and training, including apprenticeship programmes, to adapt local content frameworks to the needs of the communities concerned in selected countries.
- e) Developing employment promotion programmes in selected countries. The objective is to reduce unemployment and create decent jobs, in accordance with the ILO Declaration on fundamental principles and rights at work. The aim is to permit a larger segment of the population to share the benefits of oil and gas revenues.
- f) Engaging in dialogue and sharing experiences with stakeholders (governments, international and national oil and gas companies, worker organizations and civil society) to achieve two objectives: (a) to examine consensus on what constitutes good practice – corporate social responsibility (CSR) - in the oil and gas sectors; and (b), to assess whether, within the framework of the UN Global Compact and the Millennium Development Goals, guidelines for local content procedures are feasible and desirable.
- g) Transferring tools to countries through training and coaching activities. The aim is to allow the communities to better participate in and benefit from the economics of backward and forward linkages and thereby become empowered for greater local ownership of the initiative (e.g. deciding what local content they need and how it is to be developed).
- h) Designing a follow-up and monitoring training module in cooperation with industry representatives and stakeholders to facilitate systematic assessments of progress made.

### 3 STRATEGY

To achieve these objectives, the project will adopt a strategy that includes the following key components:

- **Inventory of practices and analysis of the state of the art**

Analytical studies will be carried out of the impact of the oil and gas sectors on sustainable development. These will also include a survey of the policies and perceptions of the main stakeholders (government authorities, firms and workers) and an analysis of these policies and other regulatory systems. Particular attention will be paid to those segments of the oil and gas sectors' value chain that hold a strong potential for local employment creation and local contracting (e.g. facility management, infrastructure construction and maintenance, transportation and catering).

While focusing on the local content, some closely related issues must not be overlooked. For example, the development of professional skills is a necessary corollary to any meaningful local content policy. Similarly, experiences from selected countries will be collected and analysed so as to better understand how to facilitate the engagement of local small to medium enterprises into the oil and gas sectors value chain. This will involve an examination of backward and forward linkages, the policy framework that govern the oil and gas sector and the nature of the stakeholder dialogue between government, the social partners and civil society.

- **Good practices and employment creation**

Through research, the initiative will identify good practices, i.e. policies and programmes that have been successful in promoting the development and employment impact from the oil and gas sectors. This will focus on employment creation programmes, the capacity building required for implementing policies, and the initiatives needed to promote an effective dialogue among all the stakeholders and with the oil and gas companies. The conditions required for such policies to be implemented effectively will be examined and programmes will be identified after the first phase of the project, i.e. the inventory of practices.

- **Strengthening the capacities of social partners and stakeholders for effective social dialogue**

Capacity building programmes will be set up to provide governments, employers, workers and their representing organizations with a better understanding of the underlying concepts and required frameworks for social dialogue. Specific communication tools will be considered to facilitate knowledge sharing among government institutions, employers and workers' organizations about the potential role of oil and gas in achieving sustainable development.

Good practice policies will be discussed and evaluated with a view to assessing how these need to be adapted to the specific conditions of countries. Capacity development programmes will be designed and implemented based on good practice policies identified in the inventory of practices. The aim is to build up local capacity through workshops and training, including apprenticeship programmes, to adapt good practice policies to the needs and conditions of the countries. Training includes preventive measures against HIV/AIDS and infectious diseases in the workplace.

The initiative will therefore develop a participatory dialogue that engages major stakeholders in each selected country including governments; national and international oil and gas companies, worker organizations and civil society. At the international level, an experience sharing process will be set up that is conducive to the identification / definition of commonly agreed best practices.

- **Training activities and subsequent application projects**

Establishing a stakeholders' dialogue without applying the results to concrete actions would make little sense. The purpose of the present initiative is therefore to develop innovative approaches to enhance the contribution of the oil and gas sectors to local development, employment creation and an effective

stakeholder dialogue, as well as to strengthen the efficiency of international organizations operating in those regions.

Lessons learned from the stakeholders' dialogue will be translated into a training process, resulting from the combination of research findings (supply of applicable information and tools) and local and regional needs (demand for training and improved local content). This will serve to build a training module that meets the needs of oil producing countries and makes the best possible use of both traditional means and advanced communication and multimedia tools.

Training activities will be designed and implemented at both the regional and national levels, preparing the ground for concrete application projects in selected countries. Training conducted at national levels will also allow the country's stakeholders to realise local ownership of the initiative.

## **4 OUTPUTS**

The project will have the following outputs:

- a) Research documenting the linkage between oil and sustainable development in producing countries. A report will explore the impact of policies, programmes and other initiatives by governments and by the oil and gas enterprises.
- b) A report on good practice policies of local content in the oil and gas sectors. This document, intended for wide circulation, will provide ideas and suggestions for policies to enhance the development impact of the oil and gas sectors.
- c) Assistance to governments and oil companies to develop and implement training and capacity building programmes which will have been identified through consultative processes and dialogue among stakeholders.
- d) An employment creation programme in selected countries (involving labour-intensive infrastructure programmes, micro finance, vocational training and small enterprise development programmes).
- e) A capacity-building programme for strengthening stakeholder dialogue, and in particular the social dialogue among governments, employers' and workers' organizations.
- f) An international meeting of oil producing countries with participation of government, workers' and employers' organizations, and other stakeholders. The agenda will cover social dialogue in the oil and gas sectors, as well as good practice policies.

## **5 DURATION**

This project will be completed within a two-year period. Earliest possible starting date: June 2007.

## 6 PARTNERSHIP

### 6.1 Core group of leading institutions

This initiative is a joint effort of two UN organizations – the United Nations Institute for Training and Research (UNITAR) and the International Labour Organization (ILO) – and a Swiss Foundation, the *Centre de Recherches Entreprises et Sociétés* (CRES). This innovative partnership reflects the aim to develop an initiative that will address the needs of all stakeholders.



**UNITAR**

The United Nations Institute for Training and Research (UNITAR) is an autonomous body within the United Nations whose mandate is to enhance the effectiveness of the work of the United Nations and its Member States in the fields of peace and security and in the promotion of economic and social development. UNITAR's training activities are conducted for the benefit of government officials, non-governmental representatives and local authorities.

The main training objectives of the "Petroleum and Human Development" programme are to create an enabling environment for implementing the UN Millennium Development Goals; to strengthen peace and mutual confidence between governments, oil and gas companies, and local communities; and to set the conditions that will allow local development. Through its research activities, the programme aims to facilitate joint reflections with governments, petroleum companies, international development partners and the civil society on how to achieve these objectives.



The ILO has a Sectoral Activities programme which includes the oil and gas sectors. Its objective is to promote social dialogue at the sectoral level and to facilitate the exchange of information among ILO's constituents on labour and social developments. Research papers have been published highlighting employment and labour conditions in the oil and gas sector of a number of countries. Research has also been carried out to assess the overall impact of oil production on development, and how labour policies can play a role in extending the benefits of oil production to a larger population.

Moreover, tripartite meetings have been set up to bring together governments, workers and employer representatives to review work conditions and to suggest policies compatible with the level of productivity and efficiency. The experience and knowledge the ILO has obtained in this work is directly relevant to the project proposed here.



The *Centre de Recherches Entreprises et Sociétés* (CRES) is a foundation under Swiss law with headquarters in Geneva. Its objective is to monitor the economic, political, religious and social environments of countries where companies might wish to operate. Its vocation is to offer concrete analysis of the changes going on at a time when profound geopolitical upheavals are occurring throughout the world.

Regularly bringing together the world's leading specialists, CRES constitutes a permanent forum for meetings between experts and decision-makers coming from widely differing geographical and socio-professional horizons. CRES is at the centre of a network promoting dialogue and the exchange of ideas about oil and development.

For more information please contact:

#### **At UNITAR**

Mr. Jocelyn FENARD  
Programme Coordinator  
Tel: +41-22 917 85 20  
e-mail: [j.fenard@unitar.org](mailto:j.fenard@unitar.org)

#### **At CRES**

Mr. Patrick GANTES  
Executive Secretary  
Tel: +41-22 733 70 00  
e-mail: [gantes@cres.ch](mailto:gantes@cres.ch)

## **6.2 Rationale for partnership**

Globalization has introduced challenges for the oil and gas sectors, as well as for the governments of producing countries, for civil society organizations and for development organizations. To meet these challenges it is necessary to find a new approach towards cross-sector partnerships. The innovative partnership that is proposed here is based on the premise that all stakeholders need to participate to arrive at greater mutual complementarity.

The primary interest of the oil and gas enterprises to join such a multi-stakeholder initiative is the need to reduce the risk of entering and operating in a new market or in a society that is fragile due to socio-economic tensions. The oil and gas enterprises make substantial investments, and their returns may diminish significantly if social and armed conflicts result and disrupt production. Making oil and gas more inclusive – and sharing the proceeds among a wider population – can be most effective in reducing that risk.

Closely linked to the above is a company's participation in a multi-stakeholder process for a 'good purpose'. This has a positive impact on the company's own employees who may very well appreciate working for an employer 'who cares about the well-being of others or of the environment'. The same motive may also underlie an attempt to pre-empt a negative press or repair damage done by negative reviews in the past. This is sometimes labelled social risk mitigation or social marketing and can contribute to an efficient CSR policy that improves business as it improves ethic ratings and external opinions of a company, its brand or its place in society.

Workers and their families in a number of producing countries will also have a keen interest. They have seen limited benefits so far. As pointed out earlier, the oil and gas sectors produce few jobs and linkages with other sectors of the economy are few. Their situation can be improved substantially by adopting the good practice policies this project will identify.

The potential benefits for governments are also clear. This initiative provides them with an opportunity to voice their position on the international scene. In addition, they will share in the experience and practices of other countries in making oil and gas more development-oriented. Without such development, there remains the risk of social discontent or even armed conflict, as witnessed in a number of oil producing countries. Ensuring that the benefits of oil and gas are shared widely is an effective means of avoiding socio-economic instability and conflict.

The reasons why the UN is engaging in cross-sector partnerships is precisely to capitalize on the expertise that enterprises can bring in to achieve the Millennium Development Goals and to promote the values it stands for. By their nature and role, these Goals offer an appropriate framework for the international cooperation proposed with this project initiative. This innovative partnership initiative reflects the aim to address the needs of all stakeholders – the local population, and in particular workers and their representatives, the oil and gas enterprises, and government officials and ministries because they share a common interest.

## **6.3 Partners and Eligibility**

Criteria for countries to be eligible to participate in this initiative are as follows:

- Non-financial criteria: geographic location; expertise and experience with local content policies; the institutional and legal framework regarding oil production.
- Financial criteria: contribution to project development costs; coverage of training costs locally (including in-kind contributions).

Conditions for national and international oil and gas companies to be eligible to participate in this initiative are as follows:

- Non-financial criteria: overall policy orientation and corporate social responsibility, expertise and experience in local content policies.
- Financial criteria: contribution to project development costs; support to the establishment of stakeholders' dialogue and global training activities (to be negotiated on a case-by-case basis).